



[4310-T2]

## DEPARTMENT OF THE INTERIOR

### Office of Natural Resources Revenue

[Docket No. ONRR-2012-0006]

#### Agency Information Collection Activities: Submitted for Office of Management and Budget Review; Comment Request

**AGENCY:** Office of the Secretary, Office of Natural Resources Revenue (ONRR).

**ACTION:** Notice of an extension of a currently approved information collection (OMB Control Number 1012-0005).

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**SUMMARY:** To comply with the Paperwork Reduction Act of 1995 (PRA), we are inviting comments on a collection of information requests that we will submit to the Office of Management and Budget (OMB) for review and approval. OMB formerly approved this information collection request (ICR) under OMB Control Number 1010-0136. Subsequently, on March 6, 2012, OMB approved a new series number for ONRR and renumbered our ICRs. This ICR covers the paperwork requirements in the regulations under title 30, *Code of Federal Regulations* (CFR), parts 1202, 1204, and 1206 (previously 30 CFR parts 202, 204, and 206). Also, this ICR pertains to 1) Federal oil and gas valuation regulations, which include transportation and processing regulatory allowance limits; and 2) accounting and auditing relief for marginal properties. This ICR includes Form MMS-4393, Request to Exceed Regulatory Allowance Limitation. Effective January 1, 2014, ONRR will discontinue the information collection requirements of the Stripper Oil royalty rate reductions in this ICR. The revised title of

this ICR is “30 CFR Parts 1202, 1204, and 1206, Federal Oil and Gas Valuation.”

**DATES:** Submit written comments on or before **[INSERT DATE 60 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*]**.

**ADDRESSES:** Submit written comments on this ICR to ONRR by any of the following methods (please use “ICR 1012-0005” as an identifier in your comment):

- Electronically, go to <http://www.regulations.gov>. In the entry titled “Enter Keyword or ID,” enter “ONRR-2012-0006” and then click “Search.” Follow the instructions to submit public comments. ONRR will review all comments.
- Mail comments to Armand Southall, Regulatory Specialist, Office of Natural Resources Revenue, P.O. Box 25165, MS 61030A, Denver, Colorado 80225.
- Hand-carry comments, or use an overnight courier service, to ONRR. Our courier address is Building 85, Room A-614, Denver Federal Center, West 6<sup>th</sup> Ave. and Kipling St., Denver, Colorado 80225.

**FOR FURTHER INFORMATION CONTACT:** Armand Southall, telephone (303) 231-3221, or email [armand.southall@onrr.gov](mailto:armand.southall@onrr.gov). You may also contact Mr. Southall to obtain copies, at no cost, of (1) the ICR, (2) any associated forms, and (3) the regulations that require the subject collection of information. You may also review the information collection online at <http://www.reginfo.gov/public/PRAMain>.

**SUPPLEMENTARY INFORMATION:**

*Title:* 30 CFR Parts 1202, 1204, and 1206, Federal Oil and Gas Valuation.

*OMB Control Number:* 1012-0005.

*Bureau Form Number:* Form MMS-4393.

**Note:** ONRR will publish a rule updating our form numbers to Form ONRR-4393.

*Abstract:* The Secretary of the United States Department of the Interior is responsible for mineral resource development on Federal and Indian lands and the Outer Continental Shelf (OCS). The Secretary is required, by various laws, to manage mineral resource production from Federal and Indian lands and the OCS, collect the royalties and other mineral revenues due, and distribute the funds collected under those laws. We have posted those laws pertaining to mineral leases on Federal and Indian lands and the OCS at [http://www.onrr.gov/Laws\\_R\\_D/PublicLawsAMR.htm](http://www.onrr.gov/Laws_R_D/PublicLawsAMR.htm).

Effective October 1, 2010, ONRR reorganized and transferred our regulations from chapter II to chapter XII in 30 CFR, resulting in a change to our citations. You can find the information collections covered in this ICR at 30 CFR part 1202, subparts C and D, which pertain to Federal oil and gas royalties; part 1204, subpart C, which pertains to accounting and auditing relief for marginal properties; and part 1206, subparts C and D, which pertain to Federal oil and gas product valuation.

## **I. General Information**

When a company or an individual enters into a lease to explore, develop, produce, and dispose of minerals from Federal or Indian lands, that company or individual agrees to pay the lessor a share in an amount or value of production from the leased lands. The mineral lease laws require the lessee, or his designee, to report various kinds of information to the lessor relative to the disposition of the leased minerals. Such information is generally available within the records of the lessee or others involved in developing, transporting, processing, purchasing, or selling of such minerals.

## **II. Information Collections**

ONRR uses the information that we collect in this ICR to ensure that lessees accurately value and appropriately pay royalties on oil and gas produced from Federal onshore and offshore leases. Please refer to the chart for all reporting requirements and associated burden hours. All data submitted is subject to subsequent audit and adjustment.

*A. Federal Oil and Gas Valuation Regulations*

The valuation regulations at 30 CFR part 1206, subparts C and D, mandate that companies collect and/or submit information used to value their Federal oil and gas, including (1) transportation and processing allowances and (2) regulatory allowance limit information. Companies report certain data on Form MMS-2014, Report of Sales and Royalty Remittance (OMB Control Number 1012-0004, formerly 1010-0139). The information that we request is the minimum necessary to carry out our mission and places the least possible burden on respondents. If ONRR does not collect this information, both Federal and State governments may incur a loss of royalties.

Transportation and Processing Regulatory Allowance Limits: Lessees may deduct the reasonable, actual costs of transportation and processing from Federal royalties. The lessees report these allowances on Form MMS-2014. For oil and gas, regulations establish the allowable limit on transportation allowance deductions at 50 percent of the value of the oil or gas. For gas only, regulations establish the allowable limit on processing allowance deductions at 66⅔ percent of the value of each gas plant product.

Request to Exceed Regulatory Allowance Limitation, Form MMS-4393: Lessees may request to exceed regulatory limitations. Upon proper application from the lessee, ONRR may approve oil or gas transportation allowance in excess of 50 percent or gas

processing allowance in excess of 66⅔ percent on Federal leases. Lessees use Form MMS-4393 for both Federal and Indian leases to request to exceed allowance limitations. This ICR covers only Federal leases; therefore, we have not included burden hours of Form MMS-4393 for Indian leases in this ICR. We include burden hours for Form MMS-4393 for Indian leases in OMB Control Number 1012-0002.

*B. Accounting and Auditing Relief for Marginal Properties*

In 2004, we amended our regulations to comply with section 7 of the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996. The regulations provide guidance for lessees and designees seeking accounting and auditing relief for qualifying Federal marginal properties. Under the regulations, both ONRR and the State concerned must approve any relief granted for a marginal property.

*C. Stripper Oil Royalty Rate Reduction Program*

Under 43 CFR 3103.4-2, the Bureau of Land Management (BLM), the surface management agency for Federal onshore leases, established the Stripper Oil Royalty Rate Reduction Program (Stripper Oil Program). ONRR, who administered the Stripper Oil Program for BLM, approved royalty rate reductions for operators of stripper oil properties for applicable sales periods from October 1, 1992, through January 31, 2006. Effective February 1, 2006, BLM terminated the reduced royalty rates under this program. This change is not currently reflected in title 30 CFR, chapter XII; however, on October 6, 2010, BLM published a final rule (75 FR 61624) that removed this citation from their regulations.

For production through January 31, 2006, reporters used Form MMS-4377, Stripper Royalty Rate Reduction Notification, to notify ONRR of royalty rate changes. Although

BLM terminated the royalty rate reductions, ONRR continues to verify previously submitted notifications and may require the operator to submit an amended Form MMS-4377 through December 31, 2013. Effective January 1, 2014, ONRR will discontinue the Stripper Oil Program; therefore, ONRR will not request OMB approval for the Stripper Oil information collection requirements.

### **III. OMB Approval**

We will request OMB approval to continue to collect, from companies and/or lessees and designees, information used (1) to value their Federal oil and gas, including (a) transportation and processing allowances and (b) regulatory allowance limit information and (2) to request accounting and auditing relief approval for qualifying Federal marginal properties. If ONRR does not collect this information, this would limit the Secretary's ability to discharge fiduciary duties and may also result in loss of royalty payments. ONRR protects the proprietary information that we receive, and we do not collect items of a sensitive nature.

ONRR requires lessees to respond to information collections relating to valuation requirements.

*Frequency:* Annually and on occasion.

*Estimated Number and Description of Respondents:* 120 Federal lessees/designees and 7 States for Federal oil and gas.

*Estimated Annual Reporting and Recordkeeping "Hour" Burden:* 9,198 hours.

We have not included in our estimates certain requirements performed in the normal course of business and considered as usual and customary. We display the estimated annual burden hours by CFR section and paragraph in the following chart:

**Respondents' Estimated Annual Burden Hours**

30 CFR 1202,1204, 1206, and 1210	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
PART 1202—ROYALTIES				
Subpart C—Federal and Indian Oil				
1202.101	<b>Standards for reporting and paying royalties.</b> Oil volumes are to be reported in barrels of clean oil of 42 standard U.S. gallons (231 cubic inches each) at 60 °F. . . .	Burden covered under OMB Control Number 1012-0004.		
Subpart D—Federal Gas				
1202.152(a) and (b)	<b>Standards for reporting and paying royalties on gas.</b> (a)(1) If you are responsible for reporting production or royalties you must: (i) Report gas volumes and British thermal unit (Btu) heating values, if applicable, under the same degree of water saturation; (ii) Report gas volumes in units of 1,000 cubic feet (mcf); and (iii) Report gas volumes and Btu heating value at a standard pressure base of 14.73 pounds per square inch absolute (psia) and a standard temperature base of 60 °F . . . (b) Residue gas and gas plant product volumes shall be reported as specified in this paragraph. . . .	Burden covered under OMB Control Number 1012-0004.		
PART 1204—ALTERNATIVES FOR MARGINAL PROPERTIES				
Subpart C—Accounting and Auditing Relief				
1204.202(b)(1)	<b>What is the cumulative royalty reports and payments relief option?</b> (b) To use the cumulative royalty reports and payments relief option, you must do all of the following: (1) Notify ONRR in writing by January 31 of the calendar year for which you begin taking your relief. . . .	40	1	40

1204.202(b)(2) and (b)(3)	(b)(2) Submit your royalty report and payment . . . by the end of February of the year following the calendar year for which you reported annually. . . . If you have an estimated payment on file, you must submit your royalty report and payment by the end of March of the year following the calendar year for which you reported annually; (3) Use the sales month prior to the month that you submit your annual report and payment . . . for the entire previous calendar year's production for which you are paying annually. . . .	Burden covered under OMB Control Number 1012-0004.
1204.202(b)(4), (b)(5), (c), (d)(1), (d)(2), (e)(1), and (e)(2)	(b)(4) Report one line of cumulative royalty information on Form MMS-2014 for the calendar year . . . And (5) Report allowances on Form MMS-2014 on the same annual basis as the royalties for your marginal property production. (c) If you do not pay your royalty by the date due in paragraph (b) of this section, you will owe late payment interest . . . from the date your payment was due under this section until the date ONRR receives it. . . . (d) If you take relief you are not qualified for, you may be liable for civil penalties. Also you must: (1) Pay ONRR late payment interest determined under 30 CFR 1218.54 . . . (2) Amend your Form MMS-2014 . . . (e) If you dispose of your ownership interest in a marginal property for which you have taken relief . . . you must: (1) Report and pay royalties for the portion of the calendar year for which you had an ownership interest; and (2) Make the report and payment by the end of the month after you dispose of the ownership interest in the marginal property. If you do not report and pay timely, you will owe interest . . . from the date	Burden covered under OMB Control Number 1012-0004.



	the payment was due. . . .			
1204.203(b), 1204.205(a) and (b), and 1204.206(a)(3)(i) and (b)(1)	<b>What is the other relief option?</b> (b) You must request approval from ONRR . . . before taking relief under this option.	200	1	200
1204.208 (c)(1), (d)(1), and (e)	<b>May a State decide that it will or will not allow one or both of the relief options under this subpart?</b> (c) If a State decides . . . that it will or will not allow one or both of the relief options . . . within 30 days . . . the State must: (1) Notify the Director for Office of Natural Resources Revenue, in writing, of its intent to allow or not allow one or both of the relief options . . . (d) If a State decides in advance . . . that it will not allow one or both of the relief options . . . the State must: (1) Notify the Director for Office of Natural Resources Revenue, in writing, of its intent to allow one or both of the relief options . . . (e) If a State does not notify ONRR . . . the State will be deemed to have decided not to allow either of the relief options . . .	40	7	280
1204.209(b)	<b>What if a property ceases to qualify for relief obtained under this subpart?</b> (b) If a property is no longer eligible for relief . . . the relief for the property terminates as of December 31 of that calendar year. You must notify ONRR in writing by December 31 that the relief for the property has terminated. . .	6	1	6

1204.210(c) and (d)	<p><b>What if a property is approved as part of an nonqualifying agreement?</b></p> <p>(c) . . . the volumes on which you report and pay royalty . . . must be amended to reflect all volumes produced on or allocated to your lease under the nonqualifying agreement as modified by BLM. . . . Report and pay royalties for your production using the procedures in §1204.202(b).</p> <p>(d) If you owe additional royalties based on the retroactive agreement approval and do not pay your royalty by the date due in §1204.202(b), you will owe late payment interest determined under §1218.54 from the date your payment was due under §1204.202(b)(2) until the date ONRR receives it.</p>	Burden covered under OMB Control Number 1012-0004.	
1204.214(b)(1) and (b)(2)	<p><b>Is minimum royalty due on a property for which I took relief?</b></p> <p>(b) If you pay minimum royalty on production from a marginal property during a calendar year for which you are taking cumulative royalty reports and payment relief, and:</p> <p>(1) The annual payment you owe under this subpart is greater than the minimum royalty you paid, you must pay the difference between the minimum royalty you paid and your annual payment due under this subpart; or</p> <p>(2) The annual payment you owe under this subpart is less than the minimum royalty you paid, you are not entitled to a credit because you must pay at least the minimum royalty amount on your lease each year.</p>	Burden covered under OMB Control Number 1012-0004.	
<b>Accounting and Auditing Relief Subtotal</b>		<b>10</b>	<b>526</b>
<b>Part 1206—Product Valuation</b>			
<b>Subpart C—Federal Oil</b>			

1206.102(e)(1)	<p><b>How do I calculate royalty value for oil that I or my affiliate sell(s) under an arm's-length contract?</b></p> <p>(e) If you value oil under paragraph (a) of this section: (1) ONRR may require you to certify that your or your affiliate's arm's-length contract provisions include all of the consideration the buyer must pay, either directly or indirectly, for the oil.</p>	AUDIT PROCESS. See note.		
1206.103(a)(1), (a)(2), and (a)(3)	<p><b>How do I value oil that is not sold under an arm's-length contract?</b></p> <p>This section explains how to value oil that you may not value under §1206.102 or that you elect under §1206.102(d) to value under this section. First determine whether paragraph (a), (b), or (c) of this section applies to production from your lease, or whether you may apply paragraph (d) or (e) with ONRR approval.</p> <p>(a) Production from leases in California or Alaska. Value is the average of the daily mean ANS spot prices published in any ONRR-approved publication during the trading month most concurrent with the production month. . . .</p> <p>(1) To calculate the daily mean spot price . . .</p> <p>(2) Use only the days . . .</p> <p>(3) You must adjust the value . . .</p>	45	5	225
1206.103(a)(4)	(a)(4) After you select an ONRR-approved publication, you may not select a different publication more often than once every 2 years, . . .	8	2	16
1206.103(b)(1)	<p>(b) <i>Production from leases in the Rocky Mountain Region.</i> . . .</p> <p>(1) If you have an ONRR-approved tendering program, you must value oil . . .</p>	400	2	800
1206.103(b)(1)(ii)	(b)(1)(ii) If you do not have an ONRR-approved tendering program, you may elect to value your oil under either paragraph (b)(2) or (b)(3) of this section. . .	400	2	800

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1206.103(b)(4)	(4) If you demonstrate to ONRR's satisfaction that paragraphs (b)(1) through (b)(3) of this section result in an unreasonable value for your production as a result of circumstances regarding that production, the ONRR Director may establish an alternative valuation method.	400	2	800
1206.103(c)(1)	(c) <i>Production from leases not located in California, Alaska or the Rocky Mountain Region.</i> (1) Value is the NYMEX price, plus the roll, adjusted for applicable location and quality differentials and transportation costs under §1206.112.	50	10	500
1206.103(e)(1) and (e)(2)	(e) <i>Production delivered to your refinery and the NYMEX price or ANS spot price is an unreasonable value.</i> (1) . . . you may apply to the ONRR Director to establish a value (2) You must provide adequate documentation and evidence demonstrating the market value at the refinery. . . . representing the market at the refinery if: . . .	330	2	660
1206.105	<b>What records must I keep to support my calculations of value under this subpart?</b> If you determine the value of your oil under this subpart, you must retain all data relevant to the determination of royalty value. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.107(a)	<b>How do I request a value determination?</b> (a) You may request a value determination from ONRR . . .	40	10	400

1206.109(c)(2)	<p><b>When may I take a transportation allowance in determining value?</b></p> <p>(c) Limits on transportation allowances. (2) You may ask ONRR to approve a transportation allowance in excess of the limitation in paragraph (c)(1) of this section. . . . Your application for exception (using Form MMS-4393, Request to Exceed Regulatory Allowance Limitation) must contain all relevant and supporting documentation necessary for ONRR to make a determination . . . .</p>	8	2	16
1206.110(a)	<p><b>How do I determine a transportation allowance under an arm's-length transportation contract?</b></p> <p>(a) . . . You must be able to demonstrate that your or your affiliate's contract is at arm's length. . . .</p>	AUDIT PROCESS. See note.		
1206.110(d)(3)	<p>(d) If your arm's-length transportation contract includes more than one liquid product, and the transportation costs attributable to each product cannot be determined . . .</p> <p>(3) You may propose to ONRR a cost allocation method . . .</p>	20	2	40
1206.110(e)	<p>(e) If your arm's-length transportation contract includes both gaseous and liquid products, and the transportation costs attributable to each product cannot be determined from the contract, then you must propose an allocation procedure to ONRR.</p>	20	1	20
1206.110(e)(1) and (e)(2)	<p>(e)(1) . . . If ONRR rejects your cost allocation, you must amend your Form MMS-2014 . . .</p> <p>(2) You must submit your initial proposal, including all available data, within 3 months after first claiming the allocated deductions on Form MMS-2014.</p>	Burden covered under OMB Control Number 1012-0004.		

1206.110(g)(2)	(g) If your arm's-length sales contract includes a provision reducing the contract price by a transportation factor, . . . (2) You must obtain ONRR approval before claiming a transportation factor in excess of 50 percent of the base price of the product.	5	1	5
1206.111(g)	<b>How do I determine a transportation allowance if I do not have an arm's-length transportation contract or arm's-length tariff?</b> (g) To compute depreciation, you may elect to use either . . . After you make an election, you may not change methods without ONRR approval. . . .	30	1	30
1206.111(k)(2)	(k)(2) You may propose to ONRR a cost allocation method on the basis of the values. . .	30	1	30
1206.111(l)(1) and (l)(3)	(l)(1) Where you transport both gaseous and liquid products through the same transportation system, you must propose a cost allocation procedure to ONRR. . . . (3) You must submit your initial proposal, including all available data, within 3 months after first claiming the allocated deductions on Form MMS-2014.	20	1	20
1206.111(l)(2)	(l)(2) . . . If ONRR rejects your cost allocation, you must amend your Form MMS-2104 for the months that you used the rejected method and pay any additional royalty and interest due.	Burden covered under OMB Control Number 1012-0004.		
1206.112(a)(1)(ii)	<b>What adjustments and transportation allowances apply when I value oil production from my lease using NYMEX prices or ANS spot prices?</b> (a)(1)(ii) . . . under an exchange agreement that is not at arm's length, you must obtain approval from ONRR for a location and quality differential. . . .	80	1	80

1206.112(a)(1)(ii)	(a)(1)(ii) . . . If ONRR prescribes a different differential, you must apply. . . . You must pay any additional royalties owed . . . plus the late payment interest from the original royalty due date, or you may report a credit . . . .	20	2	40
1206.112(a)(3) and (a)(4)	(a)(3) If you transport or exchange at arm's length (or both transport and exchange) at least 20 percent, but not all, of your oil produced from the lease to a market center, determine the adjustment between the lease and the market center for the oil that is not transported or exchanged (or both transported and exchanged) to or through a market center as follows: . . . (4) If you transport or exchange (or both transport and exchange) less than 20 percent of your crude oil produced from the lease between the lease and a market center, you must propose to ONRR an adjustment between the lease and the market center for the portion of the oil that you do not transport or exchange (or both transport and exchange) to a market center. . . . If ONRR prescribes a different adjustment. . . . You must pay any additional royalties owed . . . plus the late payment interest from the original royalty due date, or you may report a credit . . . .	80	4	320
1206.112(b)(3)	(b)(3) . . . you may propose an alternative differential to ONRR. . . . If ONRR prescribes a different differential. . . . You must pay any additional royalties owed . . . plus the late payment interest from the original royalty due date, or you may report a credit . . . .	80	4	320

1206.112(c)(2)	(c)(2) . . . If quality bank adjustments do not incorporate or provide for adjustments for sulfur content, you may make sulfur adjustments, based on the quality of the representative crude oil at the market center, of 5.0 cents per one-tenth percent difference in sulfur content, unless ONRR approves a higher adjustment.	80	2	160
1206.114	<b>What are my reporting requirements under an arm's-length transportation contract?</b>			
	You or your affiliate must use a separate entry on Form MMS-2014 to notify ONRR of an allowance based on transportation costs you or your affiliate incur.	Burden covered under OMB Control Number 1012-0004.		
	ONRR may require you or your affiliate to submit arm's-length transportation contracts, production agreements, operating agreements, and related documents. . . .	AUDIT PROCESS. See note.		
1206.115(a)	<b>What are my reporting requirements under a non-arm's-length transportation arrangement?</b> (a) You or your affiliate must use a separate entry on Form MMS-2014 to notify ONRR of an allowance based on transportation costs you or your affiliate incur.	Burden covered under OMB Control Number 1012-0004.		
1206.115(c)	(c) ONRR may require you or your affiliate to submit all data used to calculate the allowance deduction. . . .	AUDIT PROCESS. See note.		
Subpart D—Federal Gas				
1206.152(b)(1)(i) and (b)(1)(iii)	<b>Valuation standards--unprocessed gas.</b> (b)(1)(i) . . . The lessee shall have the burden of demonstrating that its contract is arm's-length. . . . (iii) . . . When ONRR determines that the value may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's value.	AUDIT PROCESS. See note.		



1206.152(b)(2)	(b)(2) . . . The lessee must request a value determination in accordance with paragraph (g) of this section for gas sold pursuant to a warranty contract; . . .	80	1	80
1206.152(b)(3)	(b)(3) ONRR may require a lessee to certify that its arm's-length contract provisions include all of the consideration to be paid by the buyer, either directly or indirectly, for the gas.	AUDIT PROCESS. See note.		
1206.152(e)(1)	(e)(1) Where the value is determined pursuant to paragraph (c) of this section, the lessee shall retain all data relevant to the determination of royalty value. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.152(e)(2)	206.152(e)(2) Any Federal lessee will make available upon request to the authorized ONRR or State representatives, to the Office of the Inspector General of the department of the Interior, or other person authorized to receive such information, arm's-length sales and volume data for like-quality production sold, purchased or otherwise obtained by the lessee from the field or area or from nearby fields or areas.	AUDIT PROCESS. See note.		
1206.152(e)(3)	(e)(3) A lessee shall notify ONRR if it has determined value pursuant to paragraph (c)(2) or (c)(3) of this section. . . .	10	10	100
1206.152(g)	(g) The lessee may request a value determination from ONRR. . . . The lessee shall submit all available data relevant to its proposal. . . .	40	5	200
1206.153(b)(1)(i) and (b)(1)(iii)	<b>Valuation standards--processed gas.</b> (b)(1)(i) . . . The lessee shall have the burden of demonstrating that its contract is arm's-length. . . . (iii) . . . When ONRR determines that the value may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's value.	AUDIT PROCESS. See note.		

1206.153(b)(2)	(b)(2) . . . The lessee must request a value determination in accordance with paragraph (g) of this section for gas sold pursuant to a warranty contract; . . .	80	1	80
1206.153(b)(3)	(b)(3) ONRR may require a lessee to certify that its arm's-length contract provisions include all of the consideration to be paid by the buyer, either directly or indirectly, for the residue gas or gas plant product.	AUDIT PROCESS. See note.		
1206.153(e)(1)	(e)(1) Where the value is determined pursuant to paragraph (c) of this section, the lessee shall retain all data relevant to the determination of royalty value. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.153(e)(2)	(e)(2) Any Federal lessee will make available upon request to the authorized ONRR or State representatives, to the Office of the Inspector General of the Department of the Interior, or other persons authorized to receive such information, arm's-length sales and volume data for like-quality residue gas and gas plant products sold, purchased or otherwise obtained by the lessee from the same processing plant or from nearby processing plants.	AUDIT PROCESS. See note.		
1206.153(e)(3)	(e)(2) A lessee shall notify ONRR if it has determined any value pursuant to paragraph (c)(2) or (c)(3) of this section. . . .	10	2	20
1206.153(g)	206.153(g) The lessee may request a value determination from ONRR. . . . The lessee shall submit all available data relevant to its proposal. . . .	80	15	1,200
1206.154(c)(4)	<b>Determination of quantities and qualities for computing royalties.</b> (c)(4) . . . A lessee may request ONRR approval of other methods for determining the quantity of residue gas and gas plant products allocable to each lease. . . .	40	1	40

1206.156(c)(3)	<b>Transportation allowances--general.</b> (c)(3) Upon request of a lessee, ONRR may approve a transportation allowance deduction in excess of the limitation prescribed by paragraphs (c)(1) and (c)(2) of this section. . . . An application for exception (using Form MMS-4393, Request to Exceed Regulatory Allowance Limitation) must contain all relevant and supporting documentation necessary for ONRR to make a determination. . . .	40	3	120
1206.157(a)(1)(i).	<b>Determination of transportation allowances.</b>			
	(a) <i>Arm's-length transportation contracts.</i> (1)(i) . . . The lessee shall have the burden of demonstrating that its contract is arm's-length. . . .	AUDIT PROCESS. See note.		
	The lessee must claim a transportation allowance by reporting it on a separate line entry on the Form MMS-2014.	Burden covered under OMB Control Number 1012-0004.		
1206.157(a)(1)(iii)	(a)(1)(iii) . . . When ONRR determines that the value of the transportation may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's transportation costs.	AUDIT PROCESS. See note.		
1206.157(a)(2)(ii)	(a)(2)(ii) . . . the lessee may propose to ONRR a cost allocation method on the basis of the values of the products transported. . . .	40	1	40
1206.157(a)(3)	(a)(3) If an arm's-length transportation contract includes both gaseous and liquid products and the transportation costs attributable to each cannot be determined from the contract, the lessee shall propose an allocation procedure to ONRR. . . . The lessee shall submit all relevant data to support its proposal. . . .	40	1	40

1206.157(a)(5)	(a)(5) . . . The transportation factor may not exceed 50 percent of the base price of the product without ONRR approval.	10	3	30
1206.157(b)(1)	(b) <i>Non-arm's- length or no contract.</i> (1) The lessee must claim a transportation allowance by reporting it on a separate line entry on the Form MMS-2014. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.157(b)(2)(iv) and (b)(2)(iv)(A)	(b)(2)(iv) . . . After a lessee has elected to use either method for a transportation system, the lessee may not later elect to change to the other alternative without approval of the ONRR. (A) . . . After an election is made, the lessee may not change methods without ONRR approval. . . .	100	1	100
1206.157(b)(3)(i)	(b)(3)(i) . . . Except as provided in this paragraph, the lessee may not take an allowance for transporting a product which is not royalty bearing without ONRR approval.	100	1	100
1206.157(b)(3)(ii)	(b)(3)(ii) . . . the lessee may propose to the ONRR a cost allocation method on the basis of the values of the products transported. . . .	100	1	100
1206.157(b)(4)	(b)(4) Where both gaseous and liquid products are transported through the same transportation system, the lessee shall propose a cost allocation procedure to ONRR. . . . The lessee shall submit all relevant data to support its proposal. . . .	100	1	100
1206.157(b)(5)	(b)(5) You may apply for an exception from the requirement to compute actual costs under paragraphs (b)(1) through (b)(4) of this section.	100	1	100
1206.157(c)(1)(i)	(c) <i>Reporting Requirements.</i> (1) <i>Arm's-length contracts.</i> (i) You must use a separate entry on Form MMS-2014 to notify ONRR of a transportation allowance.	Burden covered under OMB Control Number 1012-0004.		
1206.157(c)(1)(ii)	(c)(1)(ii) ONRR may require you to submit arm's-length transportation contracts, production agreements,	AUDIT PROCESS. See note.		

	operating agreements, and related documents. . . .	
1206.157(c)(2)(i)	(c)(2) <i>Non-arm's-length or no contract.</i> (i) You must use a separate entry on Form MMS-2014 to notify ONRR of a transportation allowance.	Burden covered under OMB Control Number 1012-0004.
1206.157(c)(2)(iii)	(c)(2)(iii) ONRR may require you to submit all data used to calculate the allowance deduction. . . .	AUDIT PROCESS. See note.
1206.157(e)(2), (e)(3), and (f)(1)	(e) <i>Adjustments.</i> (2) For lessees transporting production from onshore Federal leases, the lessee must submit a corrected Form MMS-2014 to reflect actual costs, together with any payment, in accordance with instructions provided by ONRR. (3) For lessees transporting gas production from leases on the OCS, if the lessee's estimated transportation allowance exceeds the allowance based on actual costs, the lessee must submit a corrected Form MMS-2014 to reflect actual costs, together with its payments, in accordance with instructions provided by ONRR. . . . (f) Allowable costs in determining transportation allowances. . . . (1) Firm demand charges paid to pipelines. . . . if you receive a payment or credit from the pipeline for penalty refunds, rate case refunds, or other reasons, you must reduce the firm demand charge claimed on the Form MMS-2014 by the amount of that payment. You must modify Form MMS-2014 by the amount received or credited for the affected reporting period and pay any resulting royalty and late payment interest due;	Burden covered under OMB Control Number 1012-0004.

1206.158(c)(3)	<b>Processing allowances--general.</b> (c)(3) Upon request of a lessee, ONRR may approve a processing allowance in excess of the limitation prescribed by paragraph (c)(2) of this section. . . . An application for exception (using Form MMS-4393, Request to Exceed Regulatory Allowance Limitation) shall contain all relevant and supporting documentation for ONRR to make a determination. . . .	80	8	640
1206.158(d)(2)(i)	(d)(2)(i) If the lessee incurs extraordinary costs for processing gas production from a gas production operation, it may apply to ONRR for an allowance for those costs. . .	80	1	80
1206.158(d)(2)(ii)	(d)(2)(ii) . . . to retain the authority to deduct the allowance the lessee must report the deduction to ONRR in a form and manner prescribed by ONRR.	Burden covered under OMB Control Number 1012-0004.		
1206.159(a)(1)(i)	<b>Determination of processing allowances.</b>			
	(a) <i>Arm's-length processing contracts.</i> (1)(i). . .The lessee shall have the burden of demonstrating that its contract is arm's-length. . . .	AUDIT PROCESS. See note.		
	The lessee must claim a processing allowance by reporting it on a separate line entry on the Form MMS-2014.	Burden covered under OMB Control Number 1012-0004.		
1206.159(a)(1)(iii)	(a)(1)(iii) . . . When ONRR determines that the value of the processing may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's processing costs.	AUDIT PROCESS. See note.		

1206.159(a)(3)	(a)(3) If an arm's-length processing contract includes more than one gas plant product and the processing costs attributable to each product cannot be determined from the contract, the lessee shall propose an allocation procedure to ONRR. . . . The lessee shall submit all relevant data to support its proposal. . . .	20	1	20
1206.159(b)(1)	(b) <i>Non-arm's-length or no contract.</i> (1). . . The lessee must claim a processing allowance by reflecting it as a separate line entry on the Form MMS-2014. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.159(b)(2)(iv) and (b)(2)(iv)(A)	(b)(2)(iv) . . . When a lessee has elected to use either method for a processing plant, the lessee may not later elect to change to the alternative without approval of the ONRR. (A) . . . After an election is made, the lessee may not change methods without ONRR approval . . .	100	1	100
1206.159(b)(4)	(b)(4) A lessee may apply to ONRR for an exception from the requirements that it compute actual costs in accordance with paragraphs (b)(1) through (b)(3) of this section. . . .	100	1	100
1206.159(c)(1)(i)	(c) <i>Reporting requirements—(1) Arm's-length contracts.</i> (i) The lessee must notify ONRR of an allowance based on incurred costs by using a separate line entry on the Form MMS-2014.	Burden covered under OMB Control Number 1012-0004.		
1206.159(c)(1)(ii)	(c)(1)(ii) ONRR may require that a lessee submit arm's-length processing contracts and related documents. . . .	AUDIT PROCESS. See note.		
1206.159(c)(2)(i)	(c)(2) <i>Non-arm's-length or no contract.</i> (i) The lessee must notify ONRR of an allowance based on incurred costs by using a separate line entry on the Form MMS-2014.	Burden covered under OMB Control Number 1012-0004.		
1206.159(c)(2)(iii)	(c)(2)(iii) Upon request by ONRR, the lessee shall submit all data used to prepare the allowance deduction. . . .	AUDIT PROCESS. See note.		

1206.159(e)(2) and (e)(3)	(e) <i>Adjustments...</i> (2) For lessees processing production from onshore Federal leases, the lessee must submit a corrected Form MMS-2014 to reflect actual costs, together with any payment, in accordance with instructions provided by ONRR. (3) For lessees processing gas production from leases on the OCS, if the lessee's estimated processing allowance exceeds the allowance based on actual costs, the lessee must submit a corrected Form MMS-2014 to reflect actual costs, together with its payment, in accordance with instructions provided by ONRR . . .	Burden covered under OMB Control Number 1012-0004.	
<b>Oil and Gas Valuation Subtotal</b>		<b>117</b>	<b>8,672</b>
<b>TOTAL</b>		<b>127</b>	<b>9,198</b>

**NOTE:** AUDIT PROCESS—The Office of Regulatory Affairs determined that the audit process is exempt from the Paperwork Reduction Act of 1995 because ONRR staff asks non-standard questions to resolve exceptions.

*Estimated Annual Reporting and Recordkeeping “Non-hour” Cost Burden:* We have not identified a “non-hour” cost burden associated with the collection of information.

*Public Disclosure Statement:* The PRA (44 U.S.C. 3501 *et seq.*) provides that an agency may not conduct or sponsor, and a person does not have to respond to, a collection of information unless it displays a currently valid OMB control number.

*Comments:* Section 3506(c)(2)(A) of the PRA requires each agency to “\* \* \* provide 60-day notice in the **Federal Register** \* \* \* and otherwise consult with members of the public and affected agencies concerning each proposed collection of information \* \* \*.” Agencies must specifically solicit comments to (a) evaluate whether the proposed collection of information is necessary for the agency to perform its duties, including whether the information is useful; (b) evaluate the accuracy of the agency’s estimate of the burden of the proposed collection of information; (c) enhance the quality, usefulness,



and clarity of the information that ONRR collects; and (d) minimize the burden on the respondents, including the use of automated collection techniques or other forms of information technology.

The PRA also requires agencies to estimate the total annual reporting “non-hour cost” burden to respondents or recordkeepers resulting from the collection of information. If you have costs to generate, maintain, and disclose this information, you should comment and provide your total capital and startup cost components or annual operation, maintenance, and purchase of service components. You should describe the methods that you use to estimate (1) major cost factors, including system and technology acquisition, (2) expected useful life of capital equipment, (3) discount rate(s), and (4) the period over which you incur costs. Capital and startup costs include, among other items, computers and software that you purchase to prepare for collecting information and monitoring, sampling, and testing equipment, and record storage facilities. Generally, your estimates should not include equipment or services purchased (i) before October 1, 1995; (ii) to comply with requirements not associated with the information collection; (iii) for reasons other than to provide information or keep records for the Federal Government; or (iv) as part of customary and usual business, or private practices.

We will summarize written responses to this notice and address them in our ICR submission for OMB approval, including appropriate adjustments to the estimated burden. We will provide a copy of the ICR to you, without charge, upon request. We also will post the ICR at [http://www.onrr.gov/Laws\\_R\\_D/FRNotices/FRInfColl.htm](http://www.onrr.gov/Laws_R_D/FRNotices/FRInfColl.htm).

*Public Comment Policy:* We will post all comments, including names and addresses of respondents, at <http://www.regulations.gov>. Before including your address, phone

number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time. While you can ask us, in your comment, to withhold your personal identifying information from public view, we cannot guarantee that we will be able to do so.

*Office of the Secretary, Information Collection Clearance Officer: David Alspach*  
(202) 219-8526.

February 26, 2013 \_\_\_\_  
Date

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Gregory J. Gould  
*Director, Office of Natural Resources Revenue*

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